



BUSINESS STUDIES

0450/11

Paper 1 Short Answer / Structured Response

May/June 2017

MARK SCHEME

Maximum Mark: 80

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

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This document consists of **16** printed pages.

Question	Answer	Marks	Guidance
1(a)	<p>What is meant by a joint venture?</p> <p>Clear understanding [2]: when two or more businesses agree to start a (new) project together so share risks OR capital OR profits OR resources.</p> <p>Some understanding [1]: two business agree to <u>work</u> together (on a project).</p>	2	Do not accept answers which describe a takeover or merger.
1(b)	<p>Identify two advantages to QCH of having objectives</p> <p>Application [2 × 1]: award 1 mark per advantage</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Have an aim OR target to work towards • Provide a sense of direction OR know what you have to do • Measure of success (to judge performance) • Help budgeting OR planning OR decision making • Motivate 	2	

Question	Answer	Marks	Guidance
1(c)	<p>Identify and explain two reasons why QCH might want to enter new markets.</p> <p>Knowledge [2 × 1]: award 1 mark for each reason identified</p> <p>Application [2 × 1]: award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Spread risk [k] of selling cars [app] • Economies of scale [k] buying factory stock [app] • Increase sales OR market share OR target market [k] as it is a fast growing economy [app] • Home market saturated [k] • Greater recognition OR brand awareness [k] • Access to cheaper labour OR resources [k] • Fewer trade restrictions [k] 	4	<p>Application marks may be awarded for appropriate use of the following: cars, luxury, factory, profits of \$700m, joint venture, multinational, customer needs, their objective, fast growing economy.</p>

Question	Answer	Marks	Guidance
1(d)	<p>Identify and explain two factors that QCH should consider when deciding the location of the new factory.</p> <p>Knowledge [2 × 1]: award 1 mark for each relevant factor.</p> <p>Application [2 × 1]: award 1 mark if relevant reference made to QCH.</p> <p>Analysis [2 × 1]: award 1 mark for each relevant explanation.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Demand / customers [k] in the new market [app] so generate revenue [an] • Amount of rent [k] if expensive fixed costs increase [an] using up its \$800m budget [app] • Lower cost of labour OR availability of labour OR access to suitable employees [k] which would decrease variable costs [an] • Lower raw materials cost OR availability of materials [k] so can get materials when needed [app] • Access to transport networks OR access to water OR power [k] or production will stop [an] • Access to subsidies or grants [k] which would reduce costs [an] • Possible external economies of scale [k] if they locate near to other factories [an] • Enough space [k] as need a large area [an] • Environmental considerations [k] therefore must be away from housing [an] • Legal considerations [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Cars or related words, new market, parts, \$800m, joint venture, profit of \$700m, fast growing economy, multinational.</p> <p>Do not award application for factory as stated in the question.</p> <p>Awareness of where competitors are located is a factor for knowledge but analysis must relate to production not retailing.</p>

Question	Answer	Marks	Guidance
1(e)	<p>The Finance Director thinks QCH’s expansion into country C could be good for other businesses there. Do you agree? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2]: award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2]: justified decision made as to whether QCH's expansion into country C will be good for other businesses in country C. Either viewpoint is possible.</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increased competition [k] can lead to lower prices [an] which could mean some car makers [app] go out of business [an] • Suppliers (local) may gain orders [k] leading to increased revenue [an] • Lose skilled employees [k] as attracted to work for the multinational [app] so become less competitive [an] • Gain new ideas [k] • Increased sales (for local businesses) [k] as more people are employed [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Multinational, cars, luxury, use of numbers, factory, equipment, joint venture, meet customer needs, start producing, fast growing economy, \$800m, \$700m.</p> <p>The focus of the answer must be on other businesses not country C or QCH.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
2(a)	What is meant by ‘trade receivables’? Clear understanding [2]: amount of money owed by customers for (goods bought on credit terms) Some understanding [1]: money owed	2	Do not award money owed by the business.
2(b)	Calculate the following values: X, Y. Application [2×1]: award 1 mark for each correct answer <ul style="list-style-type: none">• X=30• Y=50	2	

Question	Answer	Marks	Guidance
2(c)	<p>Identify and explain one advantage and one disadvantage to Josh of using text (SMS) messages as a method of internal communication.</p> <p>Knowledge [2×1] : award 1 mark for each advantage / disadvantage identified</p> <p>Application [2×1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <p>Advantage:</p> <ul style="list-style-type: none"> • Quick to send [k] which helps as always busy [app] • Can send at any time [k] so can finish cleaning before having to respond [app] • Can be sent simultaneously [k] to all 6 employees [app] • Can be read when receiver has time [k] • Able to refer back to it later [k] so can check details of the cleaning job [app] <p>Disadvantage:</p> <ul style="list-style-type: none"> • Only contain limited information OR might not understand [k] so cleaners may not have all details [app] • Might not receive the message OR no power on the phone OR may not have a signal [k] leading to poor service [app] 	4	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, businesses, busy (always sending texts), full time, 6 employees, phone, additional work.</p> <p>Do not award cheap or expensive in isolation unless explained.</p> <p>Do not award ‘does not own a phone’ as messages would not be sent to employees without a phone.</p>

Question	Answer	Marks	Guidance
2(d)	<p>Identify one advantage and one disadvantage to Josh of using off-the-job-training.</p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage / disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages:</p> <ul style="list-style-type: none"> • Other workers not affected [k] so able to do more cleaning jobs [app] to keep up with demand [an] • Worker has access to skilled trainers [k] so know what needs to do to provide a quality service [app] helping maintain reputation [an] • Workers do not learn bad habits [k] • Workers focus 100% on training [k] <p>Disadvantages:</p> <ul style="list-style-type: none"> • Expensive OR high cost [k] which increases costs for the business [an] to train all 6 workers [app] • Not necessarily tailored to individual company [k] so might not cover the equipment Josh uses [app] • Workers are training rather than cleaning [k + app] and so less output is produced [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, full-time, added value, 6.</p> <p>Do not award points that apply to both on or off the job training.</p> <p>The focus of the answer must be the effect on Josh not the workers.</p>

Question	Answer	Marks	Guidance
2(e)	<p>Do you think a bank loan is the best source of finance for Josh to use for the new equipment? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether a bank loan is the best source of finance for Josh to use for the new equipment</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increased liabilities OR must be repaid [k] by \$60 000 [app] • Loan would give him time to repay [k] • Has cash available [k] of \$30 000 [app] so he would not need to borrow the full amount [an] • Doesn't have enough cash available [k] to pay the \$60 000 [app] • Cost of repayments OR interest [k] • Leasing is a method Josh can use [k] so the latest equipment is always available [app] • Banks may not be willing to lend the money [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Service, cleaners, small / large businesses, \$60 000, correct use of table 1, added value, latest equipment, Josh has a small business.</p> <p>Candidates may analyse other suitable sources of finance.</p> <p>Do not award overdraft as it is not a suitable source of finance to purchase fixed assets.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
3(a)	<p>Identify two ethical issues for a business.</p> <p>Knowledge [2 × 1]: award one mark for each issue</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Paying a fair price to suppliers • Paying a fair wage to workers • Not price fixing • Charging a fair price to customers • Not employing child labour • Source environmentally friendly products • Not harming the environment 	2	
3(b)	<p>What is meant by a focus group?</p> <p>Clear understanding [2] e.g. customers OR people who have similar characteristics to the target market who give their opinions on a product / service</p> <p>Some understanding [1] that this is a form of market research e.g. provide comments OR opinions about the product</p>	2	<p>For 2 marks it must be clear who makes up the focus group.</p> <p>Do not award answers which simply explain what a group is OR references to secondary market research.</p>

Question	Answer	Marks	Guidance
3(c)	<p>Identify and explain two advantages to WSS of selling its franchise</p> <p>Knowledge [2 × 1] : award 1 mark for each advantage identified</p> <p>Application [2 × 1] : award 1 mark for each explanation in context</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Cheaper way to expand [k] the 10 franchisees pay some costs [app] • Each franchisee pays money [k] so may be able to open more shops in future [app] • Can expand more quickly [k] • Widen brand awareness [k] as logo is seen in more places [app] • Franchisees responsible for day to day management [k] WSS has time to focus on extending its product range [app] • Retain control of the image [k] so it can ensure the business remains ethical [app] 	4	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 30, shops.</p>

Question	Answer	Marks	Guidance
3(d)	<p>Identify and explain one advantage and one disadvantage to WSS of changing its brand image.</p> <p>Knowledge [2 × 1] : award one mark for each relevant advantage/ disadvantage identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <p>Advantages</p> <ul style="list-style-type: none"> • Reflect new product range [k] as now offering cakes and curries [app] can help attract a wider target market / range of people [an] • Image might be out of date [k] as soup bowl is simple design [app] so need to change it to remain competitive [an] • Customers like something new [k] therefore they are more likely to try [an] the curries [app] • Attract new customers [k] <p>Disadvantage</p> <ul style="list-style-type: none"> • Damage customer loyalty [k] as existing customers do not like the new logo created [an] • Customers might not recognise the new logo OR be confused [k] so might miss the shop [app] therefore reducing sales [an] • Time / cost (to change the logo) [k] as may need to ask focus group for their opinion [app] increasing expenses [an] 	6	<p>Application marks may be awarded for appropriate use of the following: References to food such as soup, hot drinks, curries and cakes, ethical, logo, 10, extend product range, promotion, 40 shops, franchise, focus group.</p> <p>The focus of the answer must be the effect on WSS.</p>

Question	Answer	Marks	Guidance
3(e)	<p>Do you think WSS should use sponsorship or newspaper advertising as the main method of promotion? Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s)</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] :award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether WSS should use sponsorship or newspaper advertising as the main method of promotion</p> <p>Points might include:</p> <p>Sponsorship</p> <ul style="list-style-type: none"> • Can target the intended market [k] attracting more customers [an] for the cakes [app] • The business will be linked to the event sponsored [k] • Actions of the sponsored person or group could damage WSS's reputation [k] reducing sales [an] <p>Newspaper advertising</p> <ul style="list-style-type: none"> • Can be seen by a lot of people [k] • Falling readership of newspapers [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Use of numbers, soup or references to food or ingredients, change logo, expand product range, ethical, brand image.</p> <p>The focus of the answer must be on WSS as the sponsor.</p> <p>Do not award sponsorship or newspaper is cheaper as this is not known.</p> <p style="text-align: right;">[Total: 20]</p>

Question	Answer	Marks	Guidance
4(a)	<p>What is meant by ‘chain of command’?</p> <p>Clear understanding [2]: structure within an organisation through which orders are passed from senior management to the lower levels</p> <p>Some understanding [1]: ‘shows who gives orders’</p>	2	For 2 marks must have idea of ‘orders OR instructions OR authority’ and ‘who between’.
4(b)	<p>Identify two Government economic objectives.</p> <p>Knowledge [2 × 1]: award 1 mark per objective</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • Lower unemployment • Economic growth OR increase GDP OR improve standards of living • Low inflation • Improve balance of payments 	2	
4(c)	<p>Identify and explain two benefits to GKK of increasing efficiency.</p> <p>Knowledge [2 × 1]: award 1 mark for each benefit identified</p> <p>Application [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Increase output OR quicker production [k] of plastic bottles [app] • Lower average costs [k] so can keep prices low [app] • Fewer workers needed [k] • Better able to compete [k] in this competitive market [app] • Less waste [k] need for less raw materials [app] • Fewer errors [k] 	4	Application marks may be awarded for appropriate use of the following: Plastic bottles, raw materials, environment OR pollution, competitive market, prices are important.

Question	Answer	Marks	Guidance
4(d)	<p>Identify and explain two ways in which new legal controls to protect the environment might affect GKK.</p> <p>Knowledge [2 × 1] : award one mark for each relevant way identified</p> <p>Application [2 × 1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2 × 1] : award 1 mark for each relevant explanation</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Change OR stop using certain materials [k] moving away from plastic [app] changing production [an] • Increase cost [k] because they may have to pay more fines [an] • May need to change supplier [k] so stop using the low cost country [app] increasing variable costs [an] • Reduced demand [k] as customers look for alternative ways to package food [app] so lose revenue [an] • May have to change location [k] as not allowed to operate in certain places [an] 	6	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, low cost country, low prices.</p>

Question	Answer	Marks	Guidance
4(e)	<p>Explain one lean production technique. Recommend whether GKK should introduce this technique. Justify your answer.</p> <p>Knowledge [1] : award 1 mark for identification of relevant point (s) [max 1]</p> <p>Application [1] : award 1 mark if relevant reference made to this business</p> <p>Analysis [2] : award up to 2 marks for relevant development of point(s)</p> <p>Evaluation [2] : justified decision made as to whether GKK should introduce this technique</p> <p>Points might include:</p> <ul style="list-style-type: none"> • Just in Time inventory control [k] which would help reduce storage costs [an] • Kaizen /continuous improvement [k] by using delegation [app] • Cell production [k] 	6	<p>Application marks may be awarded for appropriate use of the following: Range of products, food, chemicals, plastic bottles, delegation, low cost country, low prices, competitive market, short chain of command, wide structure.</p> <p style="text-align: right;">[Total: 20]</p>



BUSINESS STUDIES

0450/21

Paper 2 Case Study

May/June 2017

MARK SCHEME

Maximum Mark: 80

Published

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Answer	Question	Marks
1(a)	<p>Identify and explain <u>two</u> ways in which TT might achieve quality production.</p> <p>Knowledge [2 × 1] – award one mark for each way. Analysis [2 × 1] – award one mark for a relevant explanation for each way. Application [2 × 2] – award two application marks for each way.</p> <p>Award one mark for each way (maximum of two), from this list:</p> <ul style="list-style-type: none"> • Quality control • Quality assurance • Quality labour – skilled/trained workers • Quality materials – consider producing own T shirts instead of buying in • Use new technology/new computer-controlled equipment/CAD,CAM or CIM • TQM/quality circles <p>Do not accept JIT or lean production.</p> <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context - of how the quality can be achieved.</p> <p>Indicative response:</p> <p>Quality control (k) means that each batch of children’s T-shirts are checked at the end of the production process (app) If there are any faults then the batch can be sewn up and repairs made to any gaps in the seams (app) so that products only leave the factory if they are correctly made and in perfect condition (an).</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Possible application marks:</p> <p>Ready-made plain white T-shirts; high quality material; prints designs; T-shirts imported from country Q, a developing country; 50 different designs; batches production of various sizes; personalized T-shirts; buying new computer controlled equipment for \$500 000; retailers expect high quality products</p> <p>There may be other examples in context that have not been included here.</p> </div>	8

Answer	Question	Marks																	
1(b)	<p>Consider the advantages and the disadvantages of the <u>two</u> options for expansion. Recommend the best option to choose. Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="261 376 1362 965"> <thead> <tr> <th></th> <th>Advantages</th> <th>Disadvantages</th> </tr> </thead> <tbody> <tr> <td>Option A – take over competing company</td> <td>Specialised in different product range – increase sales. Economies of scale possible – reduce management layers – reduce wage costs. Increase efficiency – share good practice - lower unit costs – more competitive – increase profit.</td> <td>High cost to buy out shareholders. No guarantee of success – no expertise in this market. Low staff morale – job insecurity – lack of coordination between the two management structures – diseconomies of scale.</td> </tr> <tr> <td>Option B – expand own production facilities</td> <td>Increased efficiency from new equipment – increased output – increased sales. Not using a wholesaler – absorb profit margin. Option B is cheaper than Option A.</td> <td>May need joint venture/use an agent – reduce profit margin – lower profit. Lack of knowledge of export market – culture/taste may be different – more difficult to have effective marketing.</td> </tr> </tbody> </table> <p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table border="1" data-bbox="261 1066 1362 1503"> <thead> <tr> <th></th> <th>Knowledge / Analysis / Evaluation</th> </tr> </thead> <tbody> <tr> <td>Level 3</td> <td>At least 2 × Level 2 + 9–10 marks for well justified recommendation of which option to choose and why not choose the alternative option. 7–8 marks for limited recommendation of which option to choose.</td> </tr> <tr> <td>Level 2</td> <td>4–6 marks Detailed discussion of advantages and/or disadvantages of each option.</td> </tr> <tr> <td>Level 1</td> <td>1–3 marks Outline of advantages and/or disadvantages of each option.</td> </tr> </tbody> </table>		Advantages	Disadvantages	Option A – take over competing company	Specialised in different product range – increase sales. Economies of scale possible – reduce management layers – reduce wage costs. Increase efficiency – share good practice - lower unit costs – more competitive – increase profit.	High cost to buy out shareholders. No guarantee of success – no expertise in this market. Low staff morale – job insecurity – lack of coordination between the two management structures – diseconomies of scale.	Option B – expand own production facilities	Increased efficiency from new equipment – increased output – increased sales. Not using a wholesaler – absorb profit margin. Option B is cheaper than Option A.	May need joint venture/use an agent – reduce profit margin – lower profit. Lack of knowledge of export market – culture/taste may be different – more difficult to have effective marketing.		Knowledge / Analysis / Evaluation	Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation of which option to choose and why not choose the alternative option. 7–8 marks for limited recommendation of which option to choose.	Level 2	4–6 marks Detailed discussion of advantages and/or disadvantages of each option.	Level 1	1–3 marks Outline of advantages and/or disadvantages of each option.	12
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Option A – take over competing company	Specialised in different product range – increase sales. Economies of scale possible – reduce management layers – reduce wage costs. Increase efficiency – share good practice - lower unit costs – more competitive – increase profit.	High cost to buy out shareholders. No guarantee of success – no expertise in this market. Low staff morale – job insecurity – lack of coordination between the two management structures – diseconomies of scale.																	
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1(b)	<p>Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Economies of scale are possible if they take over another company.</p> <p>Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Economies of scale are possible if they take over another company as T-shirts could be purchased in bulk and a discount received. However, it will cost over \$10m to buy out the shareholders and they may not be able to finance it. (L2 plus 1 App mark for consideration of the costs of the takeover of a competitor).</p> <p>Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation of which option to choose.</p> <p>Award up to 2 additional marks for relevant application.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Possible application marks:</p> <p>private limited company; set up 15 years ago; in country P; buys ready-made plain white T-shirts; prints designs; T-shirts imported from country Q, a developing country; 50 different designs; batches production of various sizes; sold to small retailers in country P; expect high quality; share capital \$2 m; increased to \$8 m by 2015; exporting T-shirts; take over DesOwn; personalized T-shirts; sells online; raise \$10 m to buy out the existing shareholders; buying new computer controlled equipment for \$500 000; sell directly to large retailers; use an agent or a joint venture; really unhappy factory workers; workers want to leave.</p> <p>There may be other examples in context that have not been included here.</p> </div>	

Answer	Question	Marks
2(a)	<p>Identify <u>two</u> motivational theories and explain how TT could use these theories to help increase worker motivation</p> <p>Knowledge [2 × 1] – award one mark for each theory Analysis [2 × 1] – award one mark for a relevant explanation for each theory Application [2 × 2] – award two application marks for each theory</p> <p>Award one mark for each theory (maximum of two), from:</p> <ul style="list-style-type: none"> • Taylor – scientific management approach, money is the main motivator, pay according to tasks performed so speed is encouraged, specialisation would make best use of skills • Maslow – hierarchy of needs, satisfy physiological, safety, social, self-esteem, self-actualisation needs to increase motivation • Herzberg – two factor theory where hygiene factors relate to the working environment and motivating factors relate to improving the job itself so that work is meaningful and the worker is given responsibility <p>Note: There may be reference to other motivational theorists.</p> <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of the theory.</p> <p>Note: The explanation must focus on how TT can use each specific theory.</p> <p>Indicative response:</p> <p>Taylor (k) believed that money is a main motivator for workers (an) and so TT should increase the workers' wages especially to pay them for all the tasks they do (app) and then they may feel more motivated and less unhappy in their jobs and not want to leave (app).</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Possible application marks:</p> <p>prints designs; 50 different designs; batch production of various sizes; expect high quality; personalized T-shirts; really unhappy factory workers; may be made redundant if taking over another business; Operations Manager just tells me what to do; she never asks what I think; shouted at if I do anything wrong; told to keep quiet; no training on selling; workers want to leave; information is only put on one noticeboard.</p> <p>There may be other examples in context that have not been included here.</p> </div>	8

Answer	Question	Marks															
2(b)	<p>TT should consider the following <u>three</u> changes before making a final decision about whether to start exporting its products. Which change will be the most important for the decision? Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="247 409 1375 696"> <tr> <td data-bbox="247 409 683 528">Appreciation in the exchange rate of country P's currency.</td> <td data-bbox="683 409 1375 528">Exports more expensive – harder to sell its products abroad – imports cheaper – T-shirts lower costs – could lower prices or increase profit.</td> </tr> <tr> <td data-bbox="247 528 683 611">Increased economic growth in many developed economies.</td> <td data-bbox="683 528 1375 611">Increased demand – increased sales of T-shirts – may demand alternative more expensive clothes.</td> </tr> <tr> <td data-bbox="247 611 683 696">Increase in the import tariffs in many developed economies.</td> <td data-bbox="683 611 1375 696">Higher import prices for T-shirts – increased costs – higher price of finished T-shirt – lower demand.</td> </tr> </table> <p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table border="1" data-bbox="260 824 1362 1261"> <thead> <tr> <th data-bbox="260 824 432 875"></th> <th data-bbox="432 824 1362 875">Knowledge/Analysis/ Evaluation</th> </tr> </thead> <tbody> <tr> <td data-bbox="260 875 432 1093">Level 3</td> <td data-bbox="432 875 1362 1093"> At least 2 × Level 2 + 9–10 marks for well justified conclusion as to which change will be the most important compared to the other changes. 7–8 marks for some limited judgement shown in conclusion as to which change will be most important. </td> </tr> <tr> <td data-bbox="260 1093 432 1176">Level 2</td> <td data-bbox="432 1093 1362 1176"> 4–6 marks Discussion of advantages and/or disadvantages of each change. </td> </tr> <tr> <td data-bbox="260 1176 432 1261">Level 1</td> <td data-bbox="432 1176 1362 1261"> 1–3 marks Outline of advantages and/or disadvantages of each change. </td> </tr> </tbody> </table> <p>Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. appreciation of currency will lead to higher export prices, economic growth will lead to increased sales of T shirts, increased import tariffs will make T shirt prices higher.</p> <p>Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Appreciation in the currency will lead to higher export prices which may lead to a fall in demand for the T-shirts. This will make it harder to sell in this market and consumers may switch to home produced goods that now appear cheaper. (L2)</p> <p>Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion of which change will be most important.</p> <p>Award up to 2 additional marks for relevant application.</p> <table border="1" data-bbox="240 1758 1382 2033"> <tr> <td data-bbox="240 1758 1382 2033"> Possible application marks: Buys ready-made plain white T-shirts; prints designs on T shirts; T-shirts imported from country Q, a developing country; sold to small retailers; expand the company; exporting T-shirts; sells online; sell directly to large retailers; use an agent or a joint venture. There may be other examples in context that have not been included here. </td> </tr> </table>	Appreciation in the exchange rate of country P's currency.	Exports more expensive – harder to sell its products abroad – imports cheaper – T-shirts lower costs – could lower prices or increase profit.	Increased economic growth in many developed economies.	Increased demand – increased sales of T-shirts – may demand alternative more expensive clothes.	Increase in the import tariffs in many developed economies.	Higher import prices for T-shirts – increased costs – higher price of finished T-shirt – lower demand.		Knowledge/Analysis/ Evaluation	Level 3	At least 2 × Level 2 + 9–10 marks for well justified conclusion as to which change will be the most important compared to the other changes. 7–8 marks for some limited judgement shown in conclusion as to which change will be most important.	Level 2	4–6 marks Discussion of advantages and/or disadvantages of each change.	Level 1	1–3 marks Outline of advantages and/or disadvantages of each change.	Possible application marks: Buys ready-made plain white T-shirts; prints designs on T shirts; T-shirts imported from country Q, a developing country; sold to small retailers; expand the company; exporting T-shirts; sells online; sell directly to large retailers; use an agent or a joint venture. There may be other examples in context that have not been included here.	12
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Answer	Question	Marks
3(a)	<p>Identify <u>two</u> communication barriers which might occur within TT and explain how each barrier might be reduced.</p> <p>Knowledge [2 × 1] – award one mark for each barrier Analysis [2 × 1] – award one mark for a relevant explanation for each barrier Application [2 × 2] – award two application marks for each barrier</p> <p>Award one mark for each barrier (maximum of two), such as:</p> <ul style="list-style-type: none"> • Problems with the sender – different languages in country P and country Q/ not made the message clear /speaks quickly/sends message to wrong person/too many workers to contact • Problems with the medium – message lost/no feedback given/wrong channel used/ message not picked up • Problems with the receiver – not listening/ may not trust the sender/not understanding the message • Problems with feedback – only one-way communication/there is no feedback/distortion of feedback as passed through too many people/ long chain of command • Problems with the physical environment – noise level/separate buildings/time difference <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context - of how the barrier might be reduced.</p> <p>Indicative response:</p> <p>Problems with the medium used (k) in the case of TT information is put on a factory noticeboard in another building where the workers do not see it (app). If the message is put on a noticeboard in the same building as the factory workers and also in a newsletter sent to every worker in the T-shirt factory (app) then this should ensure that all workers receive the information and the barrier will be overcome (an).</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Possible application marks:</p> <p>Private limited company; in country P/Q; prints designs; T-shirts imported from country Q, a developing country; sold to small retailers in country P; expand the company; exporting T-shirts; take over DesOwn, a competing company; personalized T-shirts; sells online; use an agent or a joint venture; really unhappy factory workers; shouted at if I do anything wrong; workers want to leave; workers in the factory; Operations manager just tells me what to do; she never asks what I think; told to keep quiet; no training on selling; information is only put on one noticeboard.</p> <p>There may be other examples in context that have not been included here.</p> </div>	8

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3(b)	<p>Consider the following <u>three</u> channels of distribution TT could use for its products in country P. Recommend the best channel to gain the highest sales. Justify your answer.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="245 461 1378 864"> <thead> <tr> <th></th> <th>Advantages</th> <th>Disadvantages</th> </tr> </thead> <tbody> <tr> <td>Sell to a wholesaler</td> <td>Bulk buy – gain advice on what sells well – lower administration costs.</td> <td>Lower profit margin.</td> </tr> <tr> <td>Sell directly to large retailers</td> <td>Good locations/high footfall – increase sales.</td> <td>Many competing brands also sold there.</td> </tr> <tr> <td>Open its own shops in shopping malls</td> <td>Control over presentation of T-shirts – independent decision making about selling to customers.</td> <td>High costs of operating own shop – insufficient designs for own shops.</td> </tr> </tbody> </table> <p>Note: Do not accept answers referring to exporting. The question only asks about country P.</p> <p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table border="1" data-bbox="240 1066 1383 1503"> <thead> <tr> <th></th> <th>Knowledge/Analysis/ Evaluation</th> </tr> </thead> <tbody> <tr> <td>Level 3</td> <td>At least 2 × Level 2 + 9–10 marks for well justified recommendation as to best channel of distribution to choose and why not the other channels. 7–8 marks for some limited judgement shown in recommendation as to best channel of distribution to choose.</td> </tr> <tr> <td>Level 2</td> <td>4–6 marks Detailed discussion of each channel of distribution.</td> </tr> <tr> <td>Level 1</td> <td>1–3 marks Outline of each channel of distribution.</td> </tr> </tbody> </table>		Advantages	Disadvantages	Sell to a wholesaler	Bulk buy – gain advice on what sells well – lower administration costs.	Lower profit margin.	Sell directly to large retailers	Good locations/high footfall – increase sales.	Many competing brands also sold there.	Open its own shops in shopping malls	Control over presentation of T-shirts – independent decision making about selling to customers.	High costs of operating own shop – insufficient designs for own shops.		Knowledge/Analysis/ Evaluation	Level 3	At least 2 × Level 2 + 9–10 marks for well justified recommendation as to best channel of distribution to choose and why not the other channels. 7–8 marks for some limited judgement shown in recommendation as to best channel of distribution to choose.	Level 2	4–6 marks Detailed discussion of each channel of distribution.	Level 1	1–3 marks Outline of each channel of distribution.	12
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3(b)	<p>Level 1 – 1 mark for each L1 statement (max of 3 marks) e.g. Wholesaler will buy in bulk.</p> <p>Level 2 – 1 × L2 explanation can gain 4 marks and a further mark can be awarded for each additional L2 explanation (max 6 marks) e.g. Wholesaler will buy in bulk which will reduce administration and transport costs. However, the wholesaler will expect a reduced price and so the profit margin will be lower. (L2)</p> <p>Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a recommendation which justifies the best channel of distribution to choose.</p> <p>Award up to 2 additional marks for relevant application.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Possible application marks:</p> <p>Private limited company; prints designs; 50 different designs; batch production of various sizes; sold to small retailers; expect high quality; expand the company; personalized T-shirts; use an agent or a joint venture; no training on selling.</p> <p>There may be other examples in context that have not been included here.</p> </div>	

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4(a)	<p>Identify and explain <u>one</u> reason why TT will need short-term finance and <u>one</u> reason why TT will need long-term finance.</p> <p>Knowledge [2 × 1] – award one mark for each reason Analysis [2 × 1] – award one mark for a relevant explanation for each reason Application [2 × 2] – award two application marks for each reason</p> <p>Award one mark for each reason (maximum of two), such as:</p> <p>Short-term finance – needed on a day-to-day basis to keep the business running:</p> <ul style="list-style-type: none"> • Working capital /cover expenses/pay wages • Pay for materials/Inventories of T-shirts • Cash flow problems <p>Long-term finance – needed over a long period of time to support expensive business development. Will need to be repaid in many instalments:</p> <ul style="list-style-type: none"> • Investment in equipment/machinery/fixed assets • Take over another company/expand <p>Award a maximum of three additional marks for each explanation – 2 of which must be applied to this context – of each reason.</p> <p>Indicative response:</p> <p>Short-term finance will be needed to pay for inventory (k) in this case it will be the T-shirts that are to have prints on them (app). The T-shirts will need to be purchased from abroad and paid for long before they have designs printed on them (app) and sold so working capital will be needed to allow this to take place. (an)</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Possible application marks:</p> <p>Private limited company; set up 15 years ago; in country P; buys ready-made plain white T-shirts; T-shirts imported from country Q, a developing country; 50 different designs; batches production of various sizes; sold to small retailers in country P; share capital \$2 m; increased to \$8 m by 2015; expand the company; exporting T-shirts; take over DesOwn, a competing company; sells online; raise \$10 m to buy out the existing shareholders; buying new computer controlled equipment for \$500 000; sell directly to large retailers; use an agent or a joint venture.</p> <p>There may be other examples in context that have not been included here.</p> </div>	8

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4(b)	<p>Refer to Appendix 3 and other information in the case study. Consider the financial performance of TT. Do you think the directors should be pleased with the company's performance? Justify your answer using appropriate ratios.</p> <p>Relevant points might include:</p> <table border="1" data-bbox="411 412 1214 658"> <tbody> <tr> <td rowspan="3">2015</td> <td>GPM = 80% (L2)</td> <td>GP = \$8 m (L1)</td> </tr> <tr> <td>NPM = 10% (L2)</td> <td>NP = £1 m (L1)</td> </tr> <tr> <td>ROCE = 10% (L2)</td> <td></td> </tr> <tr> <td rowspan="3">2016</td> <td>GPM = 73% or 73.3% (L2)</td> <td>GP = \$11 m (L1)</td> </tr> <tr> <td>NPM = 13% or 13.3% (L2)</td> <td>NP = \$2 m (L1)</td> </tr> <tr> <td>ROCE = 14% or 14.2% (L2)</td> <td></td> </tr> </tbody> </table> <p>Between 2015 and 2016:</p> <ul style="list-style-type: none"> The revenue increased (by \$5 m) (L1) The gross profit increased (by \$3 m) (L1) The net profit increased (by \$1 m) (L1) <p>Note: Do not accept APP for use of data already provided in Appendix 3 (non-calculated figures).</p> <p>Knowledge/Analysis/Evaluation – award up to 10 marks using the levels-based mark scheme below.</p> <table border="1" data-bbox="261 1068 1362 1503"> <thead> <tr> <th></th> <th>Knowledge/Analysis/ Evaluation</th> </tr> </thead> <tbody> <tr> <td>Level 3</td> <td>At least 2 × Level 2 + 9–10 marks for well justified conclusion as to whether the directors should be pleased with the company performance. 7–8 marks for some limited conclusion as to whether the directors should be pleased with the company performance/recommend action for improvement or future development of the business.</td> </tr> <tr> <td>Level 2</td> <td>4–6 marks Correct calculation of profitability ratios.</td> </tr> <tr> <td>Level 1</td> <td>1–3 marks Outline of the differences between the years.</td> </tr> </tbody> </table>	2015	GPM = 80% (L2)	GP = \$8 m (L1)	NPM = 10% (L2)	NP = £1 m (L1)	ROCE = 10% (L2)		2016	GPM = 73% or 73.3% (L2)	GP = \$11 m (L1)	NPM = 13% or 13.3% (L2)	NP = \$2 m (L1)	ROCE = 14% or 14.2% (L2)			Knowledge/Analysis/ Evaluation	Level 3	At least 2 × Level 2 + 9–10 marks for well justified conclusion as to whether the directors should be pleased with the company performance. 7–8 marks for some limited conclusion as to whether the directors should be pleased with the company performance/recommend action for improvement or future development of the business.	Level 2	4–6 marks Correct calculation of profitability ratios.	Level 1	1–3 marks Outline of the differences between the years.	12
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4(b)	<p>Level 1 – 1 mark for each L1 statement (max of 3 marks).</p> <p>Level 2 – 1 × L2 calculation can gain 4 marks and a further mark can be awarded for each additional L2 calculation (max 6 marks) e.g. The net profit margin for 2016 was 13%. (L2).</p> <p>Level 3 – For L3 to be awarded there needs to be at least two L2 marks awarded and then a conclusion whether the directors should be pleased with the company performance.</p> <p>Award up to 2 additional marks for relevant application.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Possible application marks:</p> <p>Private limited company; set up 15 years ago; in country P; share capital \$2 m; increased to \$8 m by 2015; expand the company; raise \$10 m to buy out the existing shareholders; buying new computer controlled equipment for \$500 000.</p> <p>There may be other examples in context that have not been included here.</p> </div>	